

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 SCEM-02 INT-08 FPC-01 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00

PM-09 H-02 L-03 NSC-10 PA-03 PRS-01 SS-15 USIA-12

IGA-02 RSR-01 EUR-25 EA-11 /196 W
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FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC 3858

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E. O. 11652: N/A

TAGS: ENRG, BPRO, ETRO, CS

SUBJECT: ELECTRICITY CRISIS; ICE SOLICITING
BIDS FOR LARGE GAS TURBINES

REF: SAN JOSE 1335, SAN JOSE 1443

PLEASE PASS COMMERCE AND EXIM

SUMMARY AND HIGHLIGHTS

NATIONAL ELECTRICITY INSTITUTE (ICE) ADVISED RECENTLY THAT IT WOULD ACQUIRE TWO OR THREE 14-20 MEGAWATT GAS TURBINE GENERATORS THROUGH A PRIVATE BID. IT REQUESTED SOME TWELVE INTERNATIONAL SUPPLIERS OF THESE UNITS TO INDICATE THEIR ABILITY TO COMPETE THROUGH UNITS THAT COULD BE DELIVERED AND INSTALLED HERE BY DECEMBER, 1973. SUBSEQUENTLY, ICE REVERSED ITS POSITION AND DECIDED THAT IT WOULD OBTAIN ITS REQUIREMENTS THROUGH A PUBLIC BID TO BE PUBLISHED MAY 7.

ON THE BASIS OF THE REPLIES RECEIVED TO THE EARLIER
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PRIVATE BID INQUIRY, IT APPEARS THAT MOST U. S. SUPPLIERS

WILL PARTICIPATE IN THE BID BY OFFERING UNITS PRODUCED IN THEIR U. S. PLANTS, CANADIAN SUBSIDIARIES OR THROUGH THEIR LICENSEES IN JAPAN, HOLLAND, ETC. JAPANESE EMBASSY HERE ALSO APPARENTLY MAKING SPECIAL EFFORT TO GAIN THIS ORDER WORTH \$5 MILLION OR MORE. JAPAN MAY OFFER ATTRACTIVE LONG- TERM CREDIT. WE WILL BRING THIS MATTER TO ATTENTION OF EXIM OFFICER VISITING THIS POST NEXT WEEK. TWONBLY, INC., OFFICIALS, WHO IN RECENT WEEKS, SUCCESSFULLY INSTALLED THE TWO NEW TURBINES PURCHASED LAST YEAR, NOTE THAT SEPARATE INSTALLATION CONTRACT WILL AMOUNT TO ABOUT \$250,000. THEY OBVIOUSLY WILL BE SEEKING THE CONTRACT.

ACTION REQUESTED

A. DISSEMINATE TO U. S. INDUSTRY THIS NEW INFORMATION ON ICE' S DECISION TO PROCURE THE GAS TURBINES THROUGH A PUBLIC BID TO BE PUBLISHED MAY 7.

B. WOULD APPRECIATE DEPARTMENT' S COMMENTS AS TO WHETHER EMBASSY OR OTHER U. S. GOVERNMENT AGENCIES INVOLVED SHOULD EXTEND SPECIAL ASSISTANCE IN BEHALF OF OFFERS FROM U. S. COMPANIES FOR THE SUPPLY OF UNITS MANUFACTURED IN THE U. S. AS OPPOSED TO THOSE OFFERED THROUGH THEIR FOREIGN LICENSEES.

1. THE FIRST INFORMATION CONCERNING ICE' S SPECIFIC DECISION TO ACQUIRE GAS TURBINES, AND THE SPECIFICATIONS FOR THE SAME, WAS AN APRIL 18 TELEX TO TWELVE OR MORE FOREIGN ADDRESSEES REQUESTING THEM TO FURNISH FORMAL OFFERS FOR THE SUPPLY OF PACKAGE TYPE GAS TURBINES TO BE DELIVERED IN OPERATION BY DECEMBER, 1973. IT INVITED ADOYESSEES TO INDICATE THEIR WILLINGNESS AND ABILITY TO PARTICIPATE IN A PRIVATE CALL FOR BIDS WITH REPLIES TO BE SUBMITTED TO ICE BY APRIL 30. TELEX SPECIFIED INDUSTRIAL OR SEMI- INDUSTRIAL GAS TURBINEOLWITH GENERATORS, 14-20 MEGAWATT CAPACITY, PACKAGE FOR OUTDOORS, DIESEL- FUELED, VOLTAGE GENERATIONS 13.8 MEGAWATTS WITH UNCLASSIFIED

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SUBSTATION TO RAISE 13.8 MEGAWATTS TO 34.5. ICE' S KNOWN REQUIREMENT IS NEW CAPACITY AMOUNTING TO 40 MEGAWATTS.

2. ON APRIL 25, HOWEVER, WE LEARNED THAT ICE HAD REVERSED ITS POSITION IN FAVOR OF A PUBLIC BID. DE LA TORRE OF ICE ADVISED US THAT ALTHOUGH IT HAD RECEIVED A GOOD RESPONSE FROM U. S. AND OTHER SUPPLIERS IT HAD DECIDED TO ISSUE A PUBLIC TENDER TO CONFORM TO

COSTA RICAN LEGAL REQUIREMENTS. IT PLANS TO PUBLISH PUBLIC TENDER BY MAY 7 WITH CLOSING DATE END OF MAY, AND HOPES TO MAKE AWARD BY JUNE 25. BID NOTICE WILL SPECIFY THAT LONG TERM CREDIT WILL BE AN IMPORTANT FACTOR ALONG WITH PRICE. DE LA TORRE SAID ICE IS LOOKING FOR 8-10 YEAR FINANCING.

3. COLUCCI, WESTINGHOUSE RESIDENT SALES REPRESENTATIVE PANAMA, WHILE IN DE LA TORRE'S OFFICE HEARD LATER MAKE APPOINTMENT WITH JAPANESE AMBASSADOR. ON BASIS COLUCCI'S KNOWLEDGE OF RECENT JAPANESE SUCCESS IN WINNING GAS TURBINE BID IN SALVADOR, HE BELIEVES JAPANESE GOVERNMENT WILL ASSIST THAT COUNTRY'S SUPPLIERS IN MAKING VERY ATTRACTIVE OFFER FROM STANDPOINT BOTH OF PRICE AND CREDIT TERMS. SINCE LONG-TERM CREDIT MAY SWING THIS DEAL, WE PLAN TO BRING THIS EXPORT OPPORTUNITY TO ATTENTION OF EXIM OFFICER CRIST WHO VISITING COSTA RICA EARLY NEXT WEEK.

4. DURING EASTER HOLIDAYS, LANE, EMBASSY DCM, RECEIVED TELEGRAPHIC OFFER PROBABLY GENERATED BY DEPARTMENT'S INQUIRIES FROM J. MADDOX, INTERNATIONAL SALES DIVISION, INTERNATIONAL GENERAL ELECTRIC (TELEX INGECO 4081) FOR PRESENTATION TO ICE. THIS OFFER WAS FOR 15 MEGAWATT UNIT AVAILABLE FROM THEIR DUTCH LICENSEE WHICH COULD BE SHIPPED WITHIN 4 WEEKS OF AN ACCEPTABLE OFFER AND COMPLETION OF SUITABLE FINANCIAL ARRANGEMENTS. PRICE WAS \$1.5 MILLION F.O.B. FACTORY BUT DID NOT INCLUDE ASSOCIATED EQUIPMENT SUCH AS TRANSFORMERS, OIL CIRCUIT BREAKERS ETC. EMBASSY SUBMITTED THIS OFFER APRIL 23, FIRST UNCLASSIFIED

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BUSINESS DAY AFTER THE HOLIDAYS.

5. COLUCCI, TOLD EMBASSY YESTERDAY THAT WESTINGHOUSE COULD MEET ICE NEEDS EITHER BY SUPPLY OF THREE 14.5 MEGAWATT UNITS FROM THEIR CANADIAN SUBSIDIARY OR BY SUPPLY OF TWO 25 MEGAWATT UNITS FROM THEIR U.S. PLANT. ALTHOUGH THE LATTER OFFER WOULD EXCEED ICE'S NEEDS, IT WOULD OFFER ADDITIONAL POWER RESERVE AT SOME ECONOMY, AS THE LARGER UNITS ARE LESS COSTLY IN TERMS OF ADDITIONAL UNITS OF POWER CAPACITY.

6. PRATT-WHITNEY, U.S.-BUILT SEMI-INDUSTRIAL UNITS, APPARENTLY ELIGIBLE ALSO FOR CONSIDERATION IN ICE BID.
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